

Which Is Canada's Top Tech Company: Mitel Networks Corp. or Sierra Wireless Inc.?

Description

Canada has had a colorful history in terms of tech companies, from the meteoric rise and dramatic fall of Nortel to the rollercoaster ride of **BlackBerry Ltd.** There are still a number of strong Canadian tech firms having success at home and worldwide, but only a small number of those companies are available on the TSX.

So which Canadian tech company of the TSX is your best option? Is it **Mitel Networks Corp.** (TSX:MNW)(NASDAQ:MITL) or **Sierra Wireless Inc.** ([TSX:SW](#))([NASDAQ:SWIR](#))?

From plastic phones to clouds

Mitel originally began as a business communications specialist, selling phones to businesses. While this model carried the company through the 20th century, the industry was quickly being challenged by the tidal wave known as the internet. Mitel appeared to be heading towards failure after an IPO that left analysts dismayed.

In response, Mitel began to explore the possibilities of cloud computing as a way to offset its core losses. Fast forward to 2015 and Mitel has been recognized by Synergy Research Group as the global market leader in cloud communications, with a market share of 20%.

The research group also recognized Mitel as the fastest growing provider of cloud communications, thanks to Mitel's year-over-year Q3 performance, which saw subscriber seats more than double. It seems that the acquisition of Aastra last year has gone a long way to shore up Mitel's cloud computing portfolio.

Mitel reports its Q4 financial on February 26 and investors are awaiting to see the first yearly report since the acquisition of Aastra has been completed. Analysts are optimistic that Mitel will achieve its promise to raise revenues to \$1 billion in 2014 and some believe that the stock price could be in a position to double over the next couple of years.

The internet of thingamabobs

Next up is Sierra Wireless, which has in several instances taken the markets by storm, only to crash back down to earth. Now the latest round of the ups and downs of Sierra Wireless has seen its stock climb from \$7.47 in January 2013 to \$56.90 in December 2014. Sierra Wireless is known for being a specialist in the Internet of Things (IoT), which encompasses the hardware and software that allows a plethora of devices, sensors, machines and computers to communicate with each other.

Many view the IoT as the next great tech boom and Sierra Wireless already has the top global market share of 34% in the machine-to-machine market. In 2014, Sierra Wireless' revenues rose to a new record of US\$548 million, with gross margins of US\$178 million and a net loss of US\$16.8 million. The

sheer promise of the IoT has led many investors to overlook some of the flaws in the company in favor of the potential growth the future may hold. Sierra has shown itself to be determined to maintain its positive stock growth with its purchase of European firm Maingate MB, a specialist in M2M technologies for \$91.6 million.

Investors considering Sierra Wireless should be concerned that BlackBerry is attempting to become a major player in the IoT. This would put added pressure on Sierra Wireless to maintain its market share as BlackBerry already has the software and security infrastructure in place. BlackBerry has a number of OEM agreements with automotive manufacturers, which is the segment of the market many believe could be the most lucrative.

Two peas in a silicon pod

With Mitel we have a business that has successfully rebranded itself and averted extinction through its investments into the cloud. Its stock price however generates less excitement; after a sudden surge in 2013, 2014 has been rather stable. Sierra Wireless experienced a meteoric rise in 2014, which many believe will not be repeated in 2015, especially if BlackBerry is able to recreate itself as a top player in the internet of things.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:SWIR (Sierra Wireless)
2. NYSE:BB (BlackBerry)
3. TSX:BB (BlackBerry)
4. TSX:SW (Sierra Wireless)

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